

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03  
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03  
CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 ACDA-07 CEA-01  
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R 231316Z 76  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 9030  
INFO AMEMBASSY WARSAW  
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AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY DUBLIN  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 01 OF 03 LONDON 20686

E.O.11652: XGDS-1  
TAGS: EGEN, ETRD, PFOR, UK, PL  
SUBJECT: VISIT OF POLISH PRIME MINISTER JAROSZEWICZ  
TO UK

REF: (A) WARSAW 8779; (B) WARSAW 8839 (NOTAL)

SUMMARY. TRADE WAS THE MAIN THEME OF JAROSZEWICZ'S DEC.  
15-17 VISIT TO LONDON, WITH THE LION'S SHARE OF THE  
TANGIBLE RESULTS GOING TO THE UK IN THE FORM OF 22 SHIPS  
TO BE BUILT FOR POLAND IN BRITISH YARDS. JAROSZEWICZ  
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MAY VERY WELL BE PLEASED WITH THE POLITICAL BENEFITS OF  
BEING ABLE TO EMPHASIZE POLAND'S INDEPENDENT BILATERAL  
TIES WITH AN EC COUNTRY, BUT THE UK DID NOT PLACE ANY  
SIGNIFICANT NEW ORDERS FOR POLISH GOODS AND APPARENTLY  
DID NOT RESPOND MUCH TO PRESSURES TO REDRESS CHRONIC  
TRADE IMBALANCE IN BRITAIN'S FAVOR. A NEW FIVE-YEAR

ECONOMIC COOPERATION AGREEMENT, A TRADE PROTOCOL, SEVERAL LETTERS OF INTENT FOR MODEST CONSTRUCTION CONTRACTS IN POLAND AND SOME MINOR AGREEMENTS WERE ALSO SIGNED. BILATERAL POLITICAL DISCUSSIONS WERE PERFUNCTORY, AND NO SIGNIFICANT DEMONSTRATIONS OR OTHER HOSTILE ACTS MARRED WHAT BOTH SIDES CONSIDER TO HAVE BEEN A SUCCESSFUL VISIT. PRIME MINISTER CALLAGHAN ACCEPTED THE INVITATION TO PAY A RETURN VISIT AT SOME UNSPECIFIED TIME. PRESS TREATMENT WAS GENERALLY LIGHT AND THE FINAL COMMUNIQUE AND STATEMENTS WERE BARELY NOTED IN A WAVE OF REPORTING ON THE OPEC OIL PRICE INCREASE. END SUMMARY.

1. THIS FIRST VISIT BY A POLISH PRIME MINISTER SINCE SECOND WORLD WAR WAS GENERALLY A LOW-KEY AFFAIR EVEN THOUGH THERE WERE SEVERAL MEETINGS WITH PRIME MINISTER CALLAGHAN AND VARIOUS CABINET AND SUB-CABINET OFFICIALS. WE UNDERSTAND THESE DISCUSSIONS CENTERED MAINLY ON ECONOMIC, ESPECIALLY TRADE, RELATIONS BETWEEN THE TWO COUNTRIES, AS DID JAROSZEWICZ'S MEETING WITH BRITISH INDUSTRIALISTS. ON THE CEREMONIAL SIDE, JAROSZEWICZ LAID WREATHS AT THE GRAVE OF THE UNKNOWN WARRIOR IN WESTMINSTER ABBEY AND AT THE POLISH AIRMEN'S MEMORIAL AT NORTHOLT. THE LANGUAGE OF THE FINAL COMMUNIQUE -- A "CORDIAL AND CONSTRUCTIVE" VISIT -- APPEARS TO BE A FAIRLY ACCURATE ASSESSMENT IN THIS CASE AND THERE IS NO DOUBT THAT RELATIONS BETWEEN POLAND AND UK HAVE BEEN STRENGTHENED TO SOME DEGREE. EMBASSY IS POUCHING TO DEPARTMENT AND WARSAW THE DETAILED COMMUNIQUE, DEPARTMENT OF TRADE ANNOUNCEMENT AND SCHEDULE OF EVENTS. FOLLOWING IS SUMMARY OF INTERGOVERNMENTAL AGREEMENTS AND COMMERCIAL CONFIDENTIAL

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ARRANGEMENTS CONCLUDED DURING THE VISIT WHICH, IF FULLY IMPLEMENTED, COULD BE WORTH ABOUT 200 MILLION POUNDS (340 MILLION DOLLARS) IN BRITISH EXPORTS TO POLAND.

2. THE MAJOR EVENT OF THE VISIT WAS THE AGREEMENT TO SET UP A JOINT UK-POLISH COMPANY WHICH WOULD BUILD, IN BRITISH SHIPYARDS, "UP TO" 22 MEDIUM-SIZED BULK CARRIERS FOR A TOTAL VALUE OF 100-130 MILLION POUNDS. BASICALLY, THE POLISH HALF OF THE COMPANY WILL OWN AND MANAGE THE VESSELS WHILE THE UK HALF WILL PROVIDE THE FINANCING AND CONSTRUCT THE VESSELS. UK FINANCING WILL BE GUARANTEED BY EXPORT CREDIT GUARANTEE DEPARTMENT UP TO APPROXIMATELY 70 PERCENT OF THE TOTAL VALUE. WE UNDERSTAND REPAYMENT FROM POLISH SIDE WILL BE MADE OUT OF EARNINGS.

3. CONSTRUCTION WORK AND DELIVERY IS EXPECTED TO BE PHASED BETWEEN 1977-80, WITH SOME ON-BOARD EQUIPMENT TO BE SUPPLIED BY POLAND. SHIP SIZES WILL VARY FROM 4,400

TO 36,000 DWT. IN RESPONSE TO OUR INQUIRY AS TO WHY  
POLAND WAS PLACING ORDERS WITH BRITAIN WHEN IT HAD ITS  
OWN EXTENSIVE SHIP-BUILDING FACILITIES, DEPARTMENT OF  
TRADE AND POLISH EMBASSY OFFICIALS TOLD US THAT IT WAS A  
COMBINATION OF NEEDING THE SHIPS QUICKLY, NOT HAVING ANY  
MORE UNUSED CAPACITY IN POLISH YARDS, AND HAVING CREDIT  
AVAILABLE IN UK. (IT IS INTERESTING TO NOTE THAT DURING  
PAST YEARS A NUMBER OF UK SHIPS, MAINLY TRAWLERS AND

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/097 W

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R 231316Z DEC 76  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 9031  
INFO AMEMBASSY WARSAW  
AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
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USMISSION OECD PARIS  
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ROLL-ON/ROLL-OFF VESSELS, HAVE BEEN BUILT IN THE GENER-  
ALLY MORE EFFICIENT AND CHEAPER POLISH YARDS.)

4. THE DEAL FOR THE SHIPS APPARENTLY MATERIALIZED QUITE

RECENTLY AND WAS QUICKLY PUSHED THROUGH BY THE UK PRIME MINISTER FOR THE POLITICAL HARVEST TO BE REAPED IN ASSISTING BRITAIN'S BADLY AILING SHIP-BUILDING INDUSTRY. CALLAGHAN WAS VERY MUCH AT THE CENTER OF THE ARRANGEMENTS THROUGHOUT, EVEN TO EXCLUDING TRADE MINISTER DELL AND  
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DEPARTMENT OF TRADE OFFICIALS FROM TALKING PUBLICLY ABOUT IT UNTIL CALLAGHAN HAD MADE THE ANNOUNCEMENT FROM NUMBER 10 DOWNING STREET. UK SHIP-BUILDING INDUSTRY, ESPECIALLY IN SCOTLAND, HAS UNDERGONE A SERIOUS DECLINE BECAUSE OF ITS HIGH COSTS AND THE WORLD SHIP-BUILDING RECESSION. IT HAS BEEN ESTIMATED THAT UPWARDS OF 5,000 JOBS WILL BE SAVED IN UK YARDS BY THE POLISH ORDER, AND ALREADY MAJOR PRESSURES ARE BEING DIRECTED AT THE GOVERNMENT ON HOW TO DISTRIBUTE THE ORDERS TO VARIOUS YARDS. GIVEN THE POLITICAL SENSITIVITY SURROUNDING THE DEVOLUTION ISSUE IN SCOTLAND, IT SEEMS LIKELY SCOTTISH YARDS WILL GET THEIR FULL SHARE.

5. OTHER COMMERCIAL AGREEMENTS REACHED INCLUDE LETTERS OF INTENT FOR TWO CONTRACTS INVOLVING CEMENTATION INTERNATIONAL FOR THE CONSTRUCTION OF A NEW AIR TERMINAL WORTH 45 MILLION POUNDS IN WARSAW FOR LOT AIRLINE AND FOR TWO NEW HOTELS IN THE BALTIC PORT OF GDYNIA WORTH ABOUT 22 MILLION POUNDS. WE UNDERSTAND THESE AGREEMENTS ARE THE FIRST EVER SIGNED BY A BRITISH FIRM TO UNDERTAKE BUILDING CONSTRUCTION IN POLAND. ALSO SIGNED WAS A 5 MILLION POUND CONTRACT INVOLVING POLIBUR, A JOINT UK-POLISH FIRM, IN SUPPLYING EQUIPMENT FOR A CYCLOHEXANONE PLANT IN CZECHOSLOVAKIA. SOME FRAMEWORK AGREEMENTS WERE APPARENTLY ALSO CONCLUDED INVOLVING ICI AND SHELL, FOR INCREASED TRADE IN CHEMICALS, BUT NO ACTUAL CONTRACTS FOR DELIVERIES WERE SIGNED. THE COMMUNIQUE MAKES AN AMBIGUOUS REFERENCE TO LONG-TERM SUPPLIES OF POLISH COPPER BEING FURNISHED TO UK. WHAT WAS NOT MADE PUBLIC IS THAT POLAND IS SEEKING A DEAL IN WHICH THE UK EXTENDS CERTAIN CREDITS NOW IN EXCHANGE FOR GUARANTEED COPPER DELIVERIES TO BE MADE AT SOME TIME IN THE FUTURE.

6. THE MAIN INTERGOVERNMENTAL DOCUMENT SIGNED WAS A NEW FIVE-YEAR AGREEMENT ON ECONOMIC COOPERATION THAT WILL RUN THROUGH 1981. INTERESTINGLY, THIS AGREEMENT APPEARS TO BE SUBSTANTIVELY REDUNDANT WITH THE UK-POLISH TEN-YEAR  
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AGREEMENT ON THE DEVELOPMENT OF ECONOMIC, INDUSTRIAL,

SCIENTIFIC AND TECHNICAL COOPERATION SIGNED IN 1973. WE UNDERSTAND PRESSURES FOR NEW FIVE-YEAR AGREEMENT CAME FROM POLISH SIDE AND IT SEEMS THE MOTIVATION WAS LARGELY POLITICAL RATHER THAN COMMERCIAL. THE POLES WANTED TO RE-EMPHASIZE THEIR BILATERAL TIES WITH THE UK, AN INDIVIDUAL MEMBER COUNTRY OF THE EUROPEAN COMMUNITY.

7. THE POLISH SIDE DID PUSH FOR A REDRESS OF THE BILATERAL TRADE BALANCE WHICH HAS RUN HEAVILY IN THE UK'S FAVOR FOR A NUMBER OF YEARS, IN THE RANGE OF 30-70 MILLION POUNDS PER ANNUM. THE COMMUNIQUE CALLS FOR A "HARMONIOUSLY BALANCED DEVELOPMENT" OF TRADE, AND THERE IS A CLEARLY IMPLIED THREAT THAT FAILURE TO BALANCE THE BOOKS A LITTLE BETTER COULD LEAD TO CUTBACKS OF POLISH ORDERS IN THE FUTURE. BRITISH OFFICIALS FEEL THAT FOR A NUMBER OF REASONS UK EXPORTS ARE NOT LIKELY TO RISE MUCH MORE AND THE TRADE BALANCE IN 1976 SHOULD BE IN THE ORDER OF 40 MILLION POUNDS IN BRITAIN'S FAVOR. (DEPARTMENT OF TRADE OFFICIALS TELL US THAT POLAND'S METHOD OF CALCULATING TRADE FIGURES MAKES THE BALANCE SEEM WORSE THAN IT IS BECAUSE ANYTHING POLAND PAYS FOR IN STERLING IS CHARGED AS PART OF THE TRADE DEBT WITH THE UK. EMBASSY WARSAW MAY WISH TO CHECK THIS.) IT WAS THE IMPRESSION OF SEVERAL DEPARTMENT OF TRADE OFFICIALS THAT POLISH PRESSURES TO REDRESS THE TRADE BALANCE WERE LESS FORCEFUL THAN THEY HAVE BEEN ON PAST OCCASIONS.

8. POLITICAL DISCUSSIONS WERE BASICALLY PERFUNCTORY, WITH BOTH SIDES REPEATING WELL-KNOWN POSITIONS. BRITISH SIDE DID NOTE, HOWEVER, A STRONG POLISH MISTRUST OF THE GROWING POWER OF NOT ONLY WEST GERMANY. BUT THE GDR. IN AWAY-FROM-THE-TABLE CONVERSATIONS, JAROSZEWICZ ACTUALLY TOLD CALLAGHAN THAT HE WELCOMED THE US/UK MILITARY PRESENCE IN CENTRAL EUROPE AND WOULD LIKE TO SEE AN INCREASE IN THE BAOR. CALLAGHAN RECEIVED NO REPLY WHEN HE ASKED

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IF POLAND WOULD BE INTERESTED IN FINANCING SUCH AN EXPANSION.

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R 231316Z DEC 76  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 9032  
INFO AMEMBASSY WARSAW  
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USMISSION OECD PARIS  
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9. AS POLAND IS THE ONLY EE NATION WITH WHOM THE UK DOES NOT HAVE A FORMAL CULTURAL AGREEMENT, BRITISH PRESENTED POLES WITH A COUNTER-DRAFT OF SUCH AN AGREEMENT IN RESPONSE TO A PREVIOUSLY SUBMITTED POLISH DRAFT, WHICH BRITISH CONSIDERED TOO LIMITING. PROSPECTS FOR EARLY NEGOTIATION OF A BILATERAL CULTURAL AGREEMENT ARE, ACCORDING TO BOTH FCO AND POLISH EMBASSY SOURCES, CONSIDERED DIM.

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10. PRIOR TO VISIT, POLISH EMBASSY HAD BEEN VERY INSISTENT WITH FCO THAT NO AWKWARD DEMONSTRATIONS OR PRESS ATTACKS (CF. PONOMARYOV VISIT) SHOULD BE ALLOWED TO MAR THE OCCASION. BRITISH GAVE STANDARD "FREE COUNTRY" REJOINER, BUT LONDON PRESS SUBSEQUENTLY REVEALED THAT PROMINENT MEMBERS OF THE LOCAL POLISH EXILE COMMUNITY HAD BEEN APPROACHED BY SPECIAL BRANCH WITH REQUESTS TO KEEP

THE LID ON. IN ANY EVENT, DEMONSTRATORS WERE FEW AND THESE WERE KEPT WELL AWAY FROM THE OFFICIAL PARTY. A POLISH EMBASSY OFFICER WAS FULSOME IN HIS PRAISE OF THE "EXCELLENT COOPERATION" BETWEEN BRITISH AND POLISH SECURITY OFFICIALS BEFORE AND DURING THE VISIT.

11. A CURIOUS ELEMENT WAS ADDED TO THE PROCEEDINGS BY THE POLISH DESIRE TO BILL THE VISIT AS THE FIRST EVER BY A POLISH PRIME MINISTER. HAVING HOSTED THE POLISH GOVERNMENT-IN-EXILE (NOT RECOGNIZED BY THE PRESENT WARSAW REGIME) DURING WORLD WAR II, HOWEVER, HMG BALKED AT THIS TERMINOLOGY AND STUCK TO THE "FIRST VISIT SINCE THE WAR" TERMINOLOGY. SEMANTICS ASIDE, BOTH SIDES SEEMED VERY PLEASED WITH BOTH FORM AND SUBSTANCE, AND POLAND RETAINS ITS PRE-EMINENT POSITION IN HMG'S WARSAW PACT PECKING ORDER.

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